ACQUISITION AND DISPOSAL BY CCC OF SURPLUS FARM PRODUCTS

The Commodity Credit Corporation, through its price-support programs, acquires stocks of various farm products. These stocks in the aggregate are referred to as the "price-support inventory." The price-support inventory is large, having on June 30, 1964, an acquisition cost value of $4,338,275,000.

A large inventory creates several problems. It has a depressing effect on market prices; it increases possibility of waste; and it runs up heavy storage charges. Consequently, CCC keeps looking for useful outlets through which it can dispose of its excess stocks.

Commodities from the price-support inventory are moved into consumption outlets in various ways. Some are sold for domestic use in the United States and some for export including cash and credit and for foreign currencies. Some are used, under a "payment-in-kind" program, to stimulate commercial exports. Some are bartered for strategic and critical materials produced abroad. Large quantities of feed grains from the CCC inventory are currently being used to finance the feed grain program, which started with 1961 crops and is continuing through 1965 crops. Cotton is similarly being used to finance the cotton equalization and the domestic allotment programs. Substantial quantities of food commodities are transferred to other agencies, on either a reimbursable or nonreimbursable basis, for eventual donation to school lunch programs, Veterans Administration and Armed Force hospitals, needy Indians on reservations, and, through approved welfare organizations to other needy persons in the United States and abroad. CCC-owned grains are either donated or sold at reduced

prices to livestock producers in areas where feed is short due to drought, flood, hurricanes or other natural disasters.

HOW THE PRICE-SUPPORT INVENTORY IS ACQUIRED

The price-support inventory is a byproduct, so to speak, of the programs undertaken by CCC to support agricultural prices. In carrying on the price-support programs, CCC acquires its inventory in two principal ways:

1. Through the "takeover" of commodities pledged as collateral for price-support loans.

Price-support loans to producers are usually "nonrecourse." With this type of loan, producers are not obligated to make good any decline in the market price of the commodity they have put up as collateral. If the quality and quantity of the commodity have been maintained, producers can deliver it to CCC and thereby discharge their obligations in full. When market prices are declining, and it does not pay producers to pay off their loans in order to redeem commodities for sale in the market, the bulk of the loan stocks is usually delivered to CCC. The wheat, corn, cotton and other commodities acquired by the Corporation in this way go into storage and become part of the price-support inventory.

2. Purchases -- either from processors or handlers or from producers.

Prices of some commodities are supported through purchases. For example, prices of butterfat and of milk for manufacturing use are supported through purchases of butter, cheese, and nonfat dry milk solids from processors and handlers. Commodities and products purchased also go into the price-support inventory.

CCC purchases from producers commodities that are also price-supported through loans. Under the support program for 1964 and following years, the producer, in making application for price support, indicates an estimated quantity that is eligible for price-support loan or purchase. The CCC commits itself to buy that quantity not put under loan from the producer at a stipulated future date, at the producer's option, at the support price. Commodities purchased under this method of support likewise end up in the price-support inventory.

Part of the "Carryover" is in the CCC Inventory

Not all the commodities in the CCC inventory should be considered as true "surpluses." Part of the commodities represent stocks that normally would end up as "carryover" in the hands of producers and the trade. In recent years, the tendency has been for a larger proportion of total carryovers to be held by CCC, and private traders have been carrying smaller stocks than otherwise would be necessary.

The CCC inventory also includes certain proportions -- over and above normal carryover requirements -- that may be considered desirable from the standpoint of reserves against possible national emergencies.

Type of Commodities in the Inventory

Some people visualize the price-support inventory as a big grocery store -- stocked with fresh fruits and vegetables, canned goods, fresh meats, preserves, and other staples. This idea is far from the reality.

First, part of the inventory value is represented by commodities, such as cotton, naval stores, and strategic materials, that are not foods at all. Second, many of the "food" commodities, such as wheat, corn, oats, and rye, are stored in

raw, bulk form and require considerable processing before they can be used for food. About the only food commodities that can be put to immediate consumer use without processing are dairy products, dry edible beans, and milled rice. Even these foods are generally packed in large commercial-size containers -- not suitable for individual consumer distribution.

For example, of the $4.3 billion invested by CCC in commodities as of June 30, 1964, feed grains, wheat, and cotton accounted for about $4.1 billion of the total. Of the remaining $200 million in the June 30 inventory, dairy products accounted for about $175 million and the rest was primarily invested in rice, peanuts, cottonseed oil, flaxseed, linseed oil, dry beans and exchange commodities.

CCC Inventory Holdings Below Record Highs

Substantial progress has been made in reducing the quantity of commodities in the CCC inventory and all of them at the end of June 1964 were well below peak levels.

Inventories of the four feed grains are down substantially from peak levels, with corn down more than 700 million bushels from the peak of nearly 1.5 billion following the 1960 crop season. The feed grain program by bringing production into better balance with needs has played an important part in this reduction along with continued high domestic utilization and exports.

Wheat is down more than one-third from peak holdings of nearly 1.3 billion bushels in mid-1961.

Following is a comparison of the CCC commodity holdings compared to peak levels:

Commodity	Unit	Inventory June 30, 1964	Record Inventory	Date of Record Inventory
Cotton, Extra Long Staple	Bale	37,068	98,755 a/	Aug. 31, 1955
Cotton, Upland	Bale	4,403,013	10,589,391	Nov. 30, 1959
Barley	Bushel	27,908,196	100,839,675	July 31, 1959
Beans, Dry Edible	Cwt.	1,426,418	9,802,905	Aug. 31, 1950
Corn	Bushel	735,390,217	1,472,845,459	Nov. 30, 1961
Flaxseed	Bushel	10,616,496	16,501,580	July 31, 1949
Grain Sorghum	Bushel	637,585,148	720,936,584	April 30, 1962
Oats	Bushel	33,189,612	58,582,341	July 31, 1956
Rice, Milled	Cwt.	464	14,337,127	Sept. 30, 1956
Rice, Rough	Cwt.	1,589,133	16,046,379	May 31, 1957
Rye	Bushel	766,216	11,529,936	July 31, 1956
Soybeans	Bushel	19,244	54,851,874	June 30, 1959
Wheat	Bushel	828,850,724	1,276,830,359	May 31, 1961
Butter	Pound	183,268,791	520,847,552	Sept. 30, 1954
Butter Oil	Pound	21,039,840	110,729,453	Sept. 30, 1963
Cheese	Pound	33,061,909	463,363,100	Oct. 31, 1954
Milk, Dried	Pound	249,700,796	744,533,582	July 31, 1963
Cottonseed Oil, Refined	Pound	79,232,004	1,024,573,416	April 30, 1954
Linseed Oil	Pound	21,000,000	528,027,934	Feb. 28, 1951
Peanuts, Shelled	Pound	67,036,991	105,773,769	July 31, 1960
Vegetable Oil Products	Pound	2,725,092	160,592,145	Nov. 30, 1962

a/ Inventory at Nov. 30, 1964 was 131,837 bales.

Location of the Inventory

Commodities making up the price-support inventory are stored in many different places but primarily in commercial storage. Virtually all of the wheat is stored in commercial elevators either in producing areas or in terminal markets. With the inventory substantially reduced, there is less need for commercial space as well as other storage for CCC-owned wheat. At one time, wheat was stored in idle Maritime Administration ships but this has been discontinued.

Corn is stored in commercial warehouses and in CCC-owned bins in "bin sites" in the Corn Belt. With smaller stocks, CCC needs for storage space for corn are also much less than a few years ago. Government-owned bins are being offered for sale as they are no longer needed.

Most of the other grains are stored in commercial warehouses with small quantities of some stored in CCC-owned bins.

Cotton is warehoused commercially, primarily in the South.

Butter is stored in commercial freezer storage and cheese in commercial cold storage.

Problems Created by the Inventory

While surpluses have been reduced, supplies of some commodities are still above any foreseeable needs for carryovers or emergency reserves. As mentioned earlier, surplus supplies create a number of serious problems. A heavy supply of a commodity puts strong downward pressure on prices. Inventory holdings require substantial outlays for storage costs, and at one time the cost of storing the CCC inventory ran well over a million dollars a day. Finally, movement of large inventory holdings into consumption, because of changes in price levels, deterioration, sales at special export prices, and donations, can result in substantial losses to CCC.

WHY OUTLETS ARE HARD TO DEVELOP

Occasional letters to the Department of Agriculture ask, "If you have too much wheat in your inventory, why don't you copy the practice of any well-managed department store -- hold a 'bargain sale' and clean out your surplus?"

Domestic Sale Problems

Domestic "bargain sales" of storable CCC-owned commodities are prohibited by Section 407 of the Agricultural Act of 1949, a provision which directs CCC to establish prices, terms, and conditions that will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the current crop.

A more specific directive in Section 407 provides that CCC shall not in general sell any storable commodity in the domestic market at less than 5 percent above the current support price for the commodity, plus reasonable carrying charges. The objective of this provision is obvious. If CCC made a general practice of selling storable commodities at prices below the support levels, such sales would tend to drive market prices down. This, in turn, would result in more price support activity -- with more commodities coming into the Corporation's price-support inventory.

There are exceptions to the general restrictions on sales. The Section 407 minimum sales price limit does not apply to exports, nor to domestic sales of commodity stocks which have deteriorated or are in danger of deterioration. There are several other limited exceptions to cover special situations, such as unusual end-use needs, livestock feed sales in disaster areas, and payments-in-kind under the feed grain and cotton programs. (See page 12)

Export Sale Problems

Although export sales are not subject to price restrictions, there are nevertheless obstacles to selling surpluses abroad. Some of these are:

1. Importing countries have stepped up their agricultural production, thus causing a lower total world demand for some U. S. farm products than in past years

2. Foreign peoples prefer their traditional foods. For example, rice is the staple food of some countries, and if rice is available at reasonable prices, these countries are not good customers for wheat.

3. Price competition is keen. To compete in "world" markets on even terms, exporters must be able to obtain surplus commodities in the United States at competitive prices. However, the pricing of CCC-owned surpluses for export sale must be done carefully to avoid damaging the economies of other exporting nations friendly to the United States.

METHODS OF DISPOSITION

Despite problems, CCC has moved very large volumes of its surplus holdings into useful channels of consumption, both at home and abroad. From July 1, 1953, through June 30, 1964, the cost value of CCC-owned commodities disposed of through various outlets was over 30 billion dollars (revised basis).

Following is a breakdown of dispositions for the five-year period from July 1, 1959, through June 30, 1964:

Program		CCC Cost (millions of dollars)
Sales for dollars:		
Domestic cash sales	$5,372.7	
Export cash sales, including CCC Export Credit Sales	1,235.3	
Credit sales under Title IV, PL 480	16.6	
Total sales for dollars		$6,624.6
Sales for foreign currencies under Title I, PL 480		1,227.3
Barter		777.1
Payment-in-kind export program		725.8
Sales and redemptions against payment-in-kind certificates issued under Feed Grain, Wheat and Cotton programs		2,465.8
Transfers and donations		3,533.0
Total		$15,353.6

Note: Cost is comprised of acquisition cost, plus the cost of any packaging or processing performed.

Sales for dollars: As the disposal summary indicates, sales for dollars, both for domestic and export use, have constituted the biggest single outlet for CCC-owned surplus farm products.

Some domestic sales have been made at the so-called "formula" price -- that is, at 5 percent above the support price, plus carrying charges. Also, some CCC-owned surpluses in danger of deterioration or spoilage have been sold domestically at less than cost.

Export sales usually are made at prices somewhat below domestic price levels, to permit American exporters to compete in foreign markets on a more even basis with commodities produced in other countries.

To stimulate export sales for dollars, CCC sells some of its commodities on credit.

CCC sales activities are handled principally by the regional ASCS commodity offices. The commodity offices have been consolidated into four commodity offices and five small branch offices. Financial matters of the branch offices are handled by the commodity offices. The New Orleans ASCS Commodity Office functions as the cotton commodity office, while grain and bean activity is handled through the Evanston and Kansas City Commodity Offices. The Minneapolis Commodity Office handles processed commodities, such as dairy products, corn meal, flour, and rolled oats. The five branch offices with small staffs are located in major trade centers to handle trade activities, particularly in export markets. Sales by the commodity offices are made by fixed prices and through competitive bids on definite quantities and qualities.

Information on CCC-owned commodities available for sale is contained in a Monthly Sales List issued by CCC on the last day of each month and effective for the following month. The list, which varies from month to month as CCC's inventory position changes, helps buyers of CCC-owned commodities to negotiate sales. The list is being distributed to some 10,000 potential buyers.

Credit sales for dollars: CCC sells some of its commodities on a short-term credit for periods up to 36 months, and on long-term credit for periods up to 20 years. Dollar sales on credit include both short-term under the CCC Export Credit Sales Program and long-term under authority of Title IV, Public Law 480.

CCC Credit Program

Under authority of the CCC charter, commercial sales of CCC-owned commodities and of tobacco under price-support loan are made under the CCC Export Credit Sales Program on a deferred payment basis for periods up to a maximum of 3 years. The credit sales program was extended recently to provide deferred payment terms in connection with certain agricultural commodities exported from private stocks, in addition to commodities from the CCC inventory and tobacco under price-support loan. Exporters who ship from private stocks will receive an Export Commodity Certificate (CCC-341) for an amount equal to the port value of the commodity sold under the credit program. (For additional information about Export Commodity Certificates, see p. 11.)

Interest is charged at a rate announced each month by CCC. All sales under the program are made to U. S. exporters who pass the credit on to foreign buyers. An assurance of payment from a bank in the United States is required for all purchases. From the beginning of the CCC Export Credit Sales Program in 1956 through June 30, 1964, sales of surplus agricultural commodities through this program have amounted to approximately $308 million.

P.L. 480 Credit Program

Title IV of Public Law 480 provides that long-term supply and dollar credit sales agreements may be entered into (1) with U. S. or foreign traders and (2) with governments of friendly nations.

Agreements provide for delivery of surplus commodities. While the law permits a 10-year delivery period for credit sales, supply periods will generally be limited to not more than 3 years.

Title IV provides for repayment in dollars with interest. Repayment may be made in annual amounts over periods of not more than 20 years from the date of the last delivery of commodities. Interest rate and payment periods are set in relation to the purchasing country's financial situation, terms of AID dollar loans for economic development and related factors. Under private trade sales, payment periods will be set on the basis of the particular project or purpose for which the credit is to be utilized.

Emphasis in the agreements is being put on use of credit to expand dollar markets for U. S. farm products, to develop foreign markets for these products and to assist in the economic development of friendly nations.

Eligible commodities include those under price support and other surplus commodities not price supported but eligible for export financing under P.L. 480.

The agreements require that cash dollar exports of the United States be safeguarded and assurances that sales will not unduly disrupt world prices for agricultural commodities or normal patterns of commercial trade with friendly countries.

Financing and operational procedures applying to Title IV, P.L. 480 sales agreements are generally similar to Title I, P.L. 480 procedures described in following paragraphs in connection with sales for foreign currencies, with the exception that payment is made in dollars.

In the 3-year period since the first government-to-government agreement was entered into in August 1961, and through July 1964, Title IV agreements with 18 countries have been entered into involving a total of $262 million (estimated export market value excluding ocean transportation costs) of U. S. surplus agricultural commodities.

Sales for foreign currencies under Public Law 480, Title I: Substantial quantities of surpluses are being sold abroad for foreign currencies under Title I, Public Law 480, as amended -- also cited as the Agricultural Trade Development and Assistance Act of 1954. By authorizing sales for foreign currencies, "Title I" enables the United States to overcome a big obstacle to agricultural export trade -- dollar shortages among importing nations.

Administration of Title I operations within the Department of Agriculture is a responsibility of the Foreign Agricultural Service (FAS).

Transactions under Title I require the following steps:

1. A foreign importing country enters into an agreement with the United States to purchase surplus agricultural commodities in this country and pay for them with foreign currencies.

2. The importing country applies to FAS for purchase authorizations providing for dollar financing of the commodity sales and specifying the conditions under which the financing will be done. When authorizations are issued, the importing country designates certain banks in its country and in the U. S. to participate in the program. CCC issues letters of commitment to the U. S. banks in the amounts requested by the importing country. Each letter of commitment names the foreign bank as well as the U. S. bank and constitutes commitment by CCC to reimburse the U. S. bank for payments made under letters of credit for the account of the foreign bank.

3. A commercial importer in the importing country buys U. S. surpluses from a U. S. exporter who, in most instances, acquires them from U. S. commercial stocks. The importer pays for the surpluses in foreign currencies at the foreign bank. The American exporter, however, receives his payment in dollars from the U. S. bank.

4. The U. S. bank is reimbursed by CCC. Foreign currency which paid for the transaction is deposited by the foreign bank to the account of the U. S. in the foreign country. The foreign currency is used abroad by the U. S. to buy strategic and critical materials; develop new markets for U. S. farm products; procure military equipment, materials, facilities, and services for the common defense; pay U. S. obligations abroad; and finance international educational exchange activities. The currency is also used to finance the purchase of goods or services for other countries, and is loaned or granted to importing countries for economic development purposes.

5. To the extent CCC is not otherwise reimbursed by Government agencies utilizing foreign currencies accruing under Title I transactions, CCC is reimbursed through appropriations for commodities disposed of and costs incurred under such transactions.

Export payment-in-kind: U. S. prices of many agricultural commodities usually are higher than "world" prices. To make it possible for U. S. exporters to compete on even terms in foreign markets and thus move additional quantities of these commodities into consumption, the Department of Agriculture makes export payments amounting, per unit, to approximately the difference between the U. S. price and the world price.

The Department uses CCC-owned commodities primarily and not cash in making payments to exporters. This so-called export payment-in-kind program has two aims: (1) drawing export shipments from commercial stocks, and (2) providing some continuing outlet for CCC-owned stocks.

Payment-in-kind provisions currently (May 1965) are being used for export payments on wheat, rice, and dairy products, and are in effect for feed grains, flaxseed, and linseed oil if payments are needed to maintain exports of these commodities.

The program has been revised to broaden the list of commodities that can be purchased with certificates issued as export payments for any of the commodities under the payment-in-kind program. A common certificate (Export Commodity Certificate - Form CCC-341) for all the commodities has recently been adopted for making these payments.

These certificates can be used to purchase CCC-owned wheat, cotton (upland and extra long staple), dairy products, flaxseed, rice, feed grains, peanuts, and tobacco under price-support loan, all of which, in turn, must be exported. Previously, the certificate issued as an export payment for a specific commodity could be used to purchase a limited number of commodities from the inventory and in some instances could be used to purchase only the commodity exported.

(The Export Commodity Certificates are also used to reimburse exporters who export commodities from private stocks under the CCC Credit Sales Program. The certificates may be used to purchase certain wheat products such as wheat flour, rolled wheat and bulgur obtained for donation programs.)

How the Export Payment Program Works

In the case of wheat, for example, the exporter purchases from regular commercial sources the wheat he expects to ship. He registers his export sale with the Department. On this wheat, he receives as an export payment the Export Commodity Certificate which can be used to purchase any of the eligible CCC-owned commodities. (Previously, the export certificate issued for wheat exports was redeemable only in wheat from the CCC inventory.) The value of the certificate is expressed in dollars, based on the number of bushels exported times the export payment rate in effect on the date of the export sale or on the date of giving notice of sale, whichever is lower. Wheat export payment rates are set and are announced daily by the Department, except for durum. Payment rates for this class of wheat are established by competitive bids of exporters who submit bids for an export payment rate per bushel and indicate the quantity for export. The payment-in-kind provisions are used for all wheat export payments, including shipments under the International Wheat Agreement. (If the wheat is shipped in the form of flour, however, the exporter gets the export payment in cash. Export payments on flour shipped under the International Wheat Agreement also are made on a cash basis.)

In the case of rice, the export payment is based on the quantity and kind of rice exported times an export rate which is announced weekly for the different varieties of rice.

Export payment rates for feed grains, when needed, and for butter, milkfat products, and nonfat dry milk are established through competitive bids of exporters who submit bids for an export rate, together with a statement of the quantities to be exported, as for durum wheat.

During the 1962-1963-1964 and early 1965 period, direct export payments were not required to assure feed grain exports except for small payments on grain sorghum in early 1962. However, at times during the period, CCC-owned grain sorghum has been sold for export at prices below the domestic price level in order to maintain exports.

Export payment rates for flaxseed and linseed oil are announced daily.

Other payment-in-kind: CCC stocks are used to finance the cotton and feed grain programs through payment-in-kind provisions.

Feed Grain Program

Large quantities of CCC-owned corn and feed grains are moved into consumption through this "in-kind" financing. Farmers who cooperate in this program by diverting a part of their normal acreages of corn, grain sorghum or barley to conservation uses are compensated with payment-in-kind certificates issued against grain in the CCC inventory.

These certificates, which are expressed as a dollar value, are redeemable by the farmer either in grain from locally available CCC-owned stocks or in the cash equivalent. Most cooperating farmers have elected the cash equivalent, and the CCC -- acting as the farmers' agent -- has reduced its huge inventory of feed grains through sales made against the pooled certificates representing cash payments made to farmers.

Cotton Equalization and Domestic Allotment Programs

"In-kind" financing is used to bring prices of U.S.-produced cotton for domestic use and for export down to the world price level from the U. S. farm price. It also is used to make price-support payments to producers who reduce their acreage to a domestic allotment level.

As in the case of the feed grain program, the "in-kind" certificates, which are expressed as a dollar value, are redeemable either in cotton or in the cash equivalent by CCC. When payment is in cash, the CCC sells cotton at the domestic market price against the certificate rights which are pooled and represent the cash payments made.

Barter: Since 1949 large quantities of surplus CCC-owned farm products have been "swapped" for strategic and other materials produced abroad. More recently, substantial quantities of surplus farm products have been bartered predominantly for the procurement abroad of materials, goods, equipment and other services for U. S. agencies which reimburse CCC rather than spending those dollars abroad.

This procurement through barter has included among others such items and services as airplane parts and repairs, post exchange supplies, communication services, base maintenance, and coal handling and distribution. In reducing the need for dollar payment for these items by U. S. agencies abroad, the barter transactions help the U. S. balance of payments.

Foreign-produced materials acquired through barter divide into (A) strategic materials for stockpiling and (B) other materials for U. S. Government agencies.

The list of materials which have been acquired under barter transactions for transfer to the supplemental stockpile varies from time to time. Among those which have been acceptable at different periods are: crude aluminum oxide abrasives, antimony, asbestos, bauxite, beryl, bismuth, cadmium, chromite, columbite, cryolite, diamonds and bort, ferrochrome, fluorspar, lead, manganese, mercury, mica, nickel, palladium, quartz crystals, ruthenium, selenium, silicon carbide, tantalite, tin, and zinc.

"Other" materials acquired for U. S. Government agencies, such as fertilizer and raw silk, have been transferred to the agencies or approved recipient countries with reimbursement to CCC.

In order to avoid disruption of world prices and replacement of cash sales by barter, the barter program limits the countries to which agricultural commodities may be exported.

Barter transactions are carried on through regular commercial trade channels by private U. S. firms.

Barter contracts generally run from periods of a few months up to 2 years, during which the contractor both delivers materials and exports agricultural commodities received in exchange. Contractors are required to furnish cash or irrevocable letters of credit for the total value of any farm products received in advance of material deliveries.

All agricultural commodities must be exported to approved friendly countries. The origin of strategic materials for stockpiling -- as well as other materials, goods or equipment -- is also limited to friendly countries.

If ocean transportation is involved, at least 50 percent of materials being acquired under the transactions must move in U. S. flag ships. This provision, however, does not apply to the export of bartered surplus farm products.

Transfers and donations: Over a fifth of CCC's surpluses -- primarily food commodities -- have been donated to recipients in the United States and foreign countries. Some of the donations have been handled by other Government agencies, and some by the Department of Agriculture itself, with reimbursement to CCC. Substantial quantities of food from CCC stocks have been donated by other agencies, however, with no reimbursement to CCC.

The U. S. Department of Agriculture distributes foods as follows to:

1. Nonprofit lunch programs in schools of high school grade and under.

2. Needy Indians on reservations.

3. Charitable institutions serving needy persons, including hospitals, homes for the aging, and other types of institutions for the needy.

4. State and local public welfare agencies, for distribution to needy families.

5. Disaster organizations providing relief for victims of drought, floods, and other natural disasters in the U. S.

6. Voluntary agencies distributing donated foods to needy people in various parts of the world.

Domestic Donation

In the case of donated foods distributed domestically, USDA arranges for and finances processing or packaging of the commodities, and pays transportation costs to central receiving locations in the States. In the States, the program is administered by State agencies operating under agreements with the U. S. Department of Agriculture. The State agencies are responsible for the certification of eligible recipients, within the broad standards of eligibility established by the Department under the controlling legislation. The State agencies order the commodities, which are delivered by the Department to central distribution points within the States. The State agencies also arrange for the receipt and storage of commodities and for their ultimate distribution to eligible recipients, including school children participating in school lunch programs.

Details of operation vary among the States. Many function through local public welfare authorities, who make the actual distribution to eligible recipients. Private welfare agencies may enter into the program as referral agencies and to assist in distributing the foods, as long as the public agency maintains responsibility for program operation.

Foreign Donation

Food commodities in excess of anticipated domestic disposition may be donated to nonprofit voluntary agencies registered with the Committee on Voluntary Foreign Aid of the Agency for International Development (AID), or other department or agency of the Federal Government and to intergovernmental organizations for use in the assistance of needy persons outside the United States. U. S. private welfare organizations taking part in the foreign distribution of surplus foods include American Friends of Austrian Children, Inc., American Friends Service Committee, Inc., American Jewish Joint Distribution Committee, Inc., Church World

Service, Cooperative for American Remittances to Everywhere, Inc. (CARE), Foster Parents' Plan for War Children, Inc., Hadassah, Inc., International Rescue Committee, Inc., Iran Foundation, Inc., Lutheran World Relief, Inc., Mennonite Central Committee, Inc., National Council of Young Israel, Save the Children Federation, Inc., Tolstoy Foundation, Inc., Unitarian Service Committee, Inc., United Lithuanian Relief Fund of America, Inc., United Ukrainian American Relief Committee, Inc., War Relief Service--National Catholic Welfare Conference,Inc.

The Agency for International Development (AID) receives substantial quantities of surplus CCC-owned farm products for donation to (1) any nation friendly to the U. S. to meet famine or other urgent or extraordinary relief requirements, and (2) to friendly but needy populations regardless of the friendliness of their government.

Other Donations

Under various legislative authorities, CCC may (1) donate dairy products to the Veterans Administration for use in its hospitals, and to the Secretary of the Army, for use in Army, Navy, and Air Force rations, including hospital rations; (2) donate food commodities to Federal penal and correctional institutions for minors; and (3) make surplus commodities, both food and feed, available for relief use in any part of the United States declared by the President to be an acute distress area because of unemployment or other economic cause in connection with any major disaster.

Donation Problems

Many people often express concern as to why surpluses should be a problem in this country with people in want both at home and in foreign lands. There are three fundamental reasons why we are about at the upper limit in giving food away overseas.

One is inability to distribute it in many under-developed countries. Storage facilities are practically non-existent in many of the "have not" nations, most of which are in tropical or semi-tropical areas. Food sent there could quickly spoil.

Even if storage facilities were available, the transportation and local distribution systems in most of these areas generally is inadequate. Many such regions have neither railroads nor adequate highways.

Major difficulties often are caused by the many customs concerning food -- the taboos which prevent certain races or tribes from eating a particular item. Food preparation also causes problems. For instance, wheat in its harvested form or even as flour often won't be used by people accustomed to rice; they have neither the facilities to make bread, nor the desire to use food which is foreign to their traditional diet.

A third barrier to unlimited free distribution of food overseas is concerned with elementary economics. Before another nation can accept free food, it must consider its own farmers and markets lest their domestic prices and production of agricultural products might be undermined. We, in turn, must have advance consent before we can ship food to another nation.

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